

Press release

28 March 2022

ECB clarifies common approach to policy choices offered by European banking rules

- ECB provides transparency on how it will apply options and discretions foreseen in EU banking rules after public consultation
- Harmonised policies support level playing field across banking union

The European Central Bank (ECB) today updated its [policies](#) outlining how it exercises options and discretions when supervising banks, following a public consultation which ended on 30 August 2021.

Clarifying how the ECB exercises the options and discretions introduced by recent changes to EU banking rules ensures consistent and transparent implementation of the rules applied to banks. Harmonising these policies throughout the banking union creates a level playing field and promotes a more integrated European banking market.

European banking rules grant supervisors the authority to exercise more than 100 options and discretions when supervising banks. Such options and discretions led to national supervisors taking different approaches before ECB Banking Supervision developed its policy framework in 2016.

The updated policies published today relate to many aspects of day-to-day supervision. They include how to calculate the net stable funding ratio, for instance how banks should treat off-balance sheet exposures for which the regulation does not already provide a dedicated treatment, how the ECB assesses applications from banks seeking to reduce their capital or to exempt third-country intragroup exposures from the large exposure limits, and what documentation banks need for such applications.

Over the past months, the ECB has given due consideration to all 113 comments received during the public consultation. The ECB today published a [feedback statement](#) providing an overview of the comments received and the ECB assessment of these comments.

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European Central Bank

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Notes

- European banking rules allow Member States and banking supervisors to choose between alternative treatments (options), or not to apply certain provisions (discretions).
- The ECB's policies concerning supervisory options and discretions are set out in four instruments:
 - an [ECB Guide](#) containing policy guidance for Joint Supervisory Teams when exercising options and discretions on a case-by-case basis in relation to significant institutions;
 - an [ECB Regulation](#) covering the exercise of several options and discretions of a generally applicable nature in relation to significant institutions;
 - an [ECB Recommendation](#) addressed to national competent authorities concerning the exercise of options and discretions on a case-by-case basis in relation to less significant institutions;
 - an [ECB Guideline](#), also addressed to national competent authorities, concerning the exercise of options and discretions of a generally applicable nature in relation to less significant institutions.
- The updated options and discretions policies published today clarify how the ECB exercises the options and discretions introduced by recent changes to EU banking rules, namely Regulation (EU) 2019/87 and Directive (EU) 2019/8786 (the "CRR II-CRD V package") and the Delegated Regulation (EU) 2015/61 (LCR Delegated Regulation).
- The net stable funding ratio shows the relationship between a bank's available stable funding and its required stable funding. The 100% net stable funding ratio requirement became binding on 28 June 2021.

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